

Message Text

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ORIGIN ARA-14

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C O N F I D E N T I A L STATE 138410 TOSEC 060017

E.O. 11652: GDS

TAGS: PGOV, BR, US, ETRD, OVIP (VANCE, CYRUS),PORG, OAS

SUBJECT:FURTHER BRIEFING MATERIAL FOR SECRETARY'S BILATERAL
WITH BRAZILIAN FOREIGN MINISTER

FOLLOWING SHOULD BE ADDED TO COUNTRY PAPER FOR BRAZIL
BILATERAL JUNE 15:

BEGIN QUOTE:

8. BILATERAL TRADE ISSUES

BRAZIL CONDEMNS US MEASURES AFFECTING ITS ACCESS TO
OUR MARKETS, PARTICULARLY IN VIEW OF ITS LARGE TRADE DEFICITS
WITH US IN RECENT YEARS. COUNTERVAILING DUTIES (CVD'S)
CURRENTLY OFFSET BRAZILIAN EXPORT SUBSIDIES ON LEATHER
FOOTWEAR, COTTON YARN, SCISSORS AND SHEARS AND CASTOR OIL
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PRODUCTS. "ESCAPE CLAUSE" IMPORT QUOTAS ON SPECIALTY
STEELS ALSO AFFECT BRAZIL. BRAZIL'S OWN TRADE RESTRAINTS
AND SOARING COFFEE PRICES ARE BALANCING ITS TRADE ACCOUNT
WITH US THIS YEAR.

THE RECORD SHOWS OUR TRADE ACT HAS BEEN APPLIED
FAIRLY AND LIBERALLY TO BRAZIL (E.G. THE PRESIDENT'S MARCH

"ESCAPE CLAUSE" DECISION ON FOOTWEAR WILL PERMIT CONTINUED

INCREASE IN BRAZILIAN SHOE EXPORTS TO THE U.S.). WE
REMAIN BRAZIL'S MOST DYNAMIC EXPORT MARKET, TAKING SOME
15 PERCENT

OF TOTAL EXPORTS IN 1976. FINANCE MINISTER SIMONSEN
PROPOSED TO SECRETARY BLUMENTHAL IN APRIL A WAIVER OF
CVD'S ON COTTON YARN AND SCISSORS AND SHEARS IN RETURN
FOR PHASE-OUT OF SUBSIDIES ON THESE PRODUCTS. TREASURY
IS HOLDING OUT FOR AN ACROSS-THE-BOARD ELIMINATION OF
BRAZIL'S SUBSIDY SYSTEM. BOTH SIDES HAVE AGREED TO TALK
FURTHER.

MEANWHILE, WE WANT BRAZIL TO BEGIN TO LIFT ITS OWN IMPORT
RESTRICTIONS IN VIEW OF THIS YEAR'S TRADE SURPLUS WITH US.
WE ALSO WANT THE BRAZILIANS TO AVOID ANY ACTIONS WHICH
COULD CREATE FURTHER COFFEE MARKET UNCERTAINTY AND DRIVE
PRICES HIGHER. THERE ARE REPORTS THAT BRAZIL HAS JUST
CONCLUDED CONTRACTS FOR PURCHASES OF COFFEE FROM EL
SALVADOR, MALAGASY REPUBLIC AND PERHAPS OTHERS.

YOUR TALKING POINTS

-- WE UNDERSTAND YOUR CONCERN OVER MARKET ACCESS, BUT
ECONOMIC RELATIONS BETWEEN OUR COUNTRIES CONTINUE TO BE
PROFITABLE FOR BOTH SIDES.

-- I WAS GRATIFIED BY PRESIDENT CARTER'S DECISIONS IN THE
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"ESCAPE CLAUSE" CASE ON SHOES, WHICH WE REALIZE WAS
IMPORTANT TO BRAZIL.

-- AS BRAZIL'S TRADE ACCOUNT WITH US MOVES TOWARD BALANCE
-- OR EVEN SURPLUS -- THIS YEAR, WE HOPE THAT YOU WILL
BEGIN TO RELAX YOUR OWN IMPORT RESTRICTIONS.

-- OUR GOVERNMENTS SHOULD CONTINUE TO CONSULT REGULARLY
ON TRADE ISSUES. THE BILATERAL TRADE SUB-GROUP HAS BEEN
VERY USEFUL IN LAYING THE GROUNDWORK FOR SPECIFIC
ACCOMMODATIONS, AND IT SHOULD MEET AGAIN SOON.

-- ALTHOUGH THE ADMINISTRATION HAS REFUTED CLAIMS OF
BRAZILIAN COFFEE PRICE MANIPULATION IN THE PAST WIDE-
SPREAD PUBLIC CONCERN IS REFLECTED IN CONGRESS.

-- WE ARE TROUBLED BY RECENT REPORTS OF BRAZILIAN COFFEE
PURCHASES. WE BELIEVE ALL GOVERNMENTS SHOULD REFRAIN FROM
SUCH ACTIONS WHICH CAN CREATE MARKET UNCERTAINTY AND

PREVENT PRICE DECLINES TO LEVELS CONSISTENT WITH THE
LONG-TERM INTEREST OF BOTH CONSUMERS AND PRODUCERS. IN
THIS REGARD I UNDERSTAND THAT CONSUMPTION OF COFFEE IS NOW
FALLING IN THE U.S.

-- PENDING AGREEMENT ON A MULTILATERAL CODE TO REGULATE
SUBSIDIES/CVD'S, I HOPE YOUR FINANCE MINISTRY AND TREASURY
WILL CONTINUE TO CONSULT CLOSELY. END QUOTE. CHRISTOPHER

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